

Talking Points
Stennis Institute/Capital Press Corps luncheon
Noon, Monday, January 25, 2009

- Dire times as revenue shortfalls worsen
- Warned for weeks budget process can't be business as usual
- Asked Legislature to allow me to make cuts of up to 10 percent; Senate quickly passed the bill, which I appreciate
- Unfortunately, House decided to chart its same old course, draining the state's savings account and using one-time money for recurring expenses
- Left me with no alternative but to make deeper cuts to FY 2010 budget under existing law
- On Friday, I announced cuts of about \$216 million; total cuts of a little under 8.2 percent, pretty much across-the-board
- Total cuts to FY 2010 budget – \$437.5 million
- Key cuts, this round:

•	MAEP	
o	Friday's Cut:	\$66.1 M
o	Previous Cut:	\$103.5 M
o	Total Cut:	\$169.6 M

•	IHL	
o	Friday's Cut:	\$23.8 M
o	Previous Cut:	\$30.1 M
o	Total Cut:	\$53.9 M

•	CJC	
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- o Friday's Cut: \$8 M
- o Previous Cut: \$12.5M
- o Total Cut: \$20.5 M
- Corrections
 - o Friday's Cut: \$23.3 M
 - o Previous Cut: \$3.2M
 - o Total Cut: \$26.5 M

- Hope this is enough for the current fiscal year, but no guarantees
- Encourage State Department of Education to urge local school districts to use their reserve balances, which total about \$635 million, or more than two-times the state's Rainy Day Fund
- Lump sum and Personnel Board
 - Thank the agency directors and most statewide elected officials who wrote the Legislature in support of this. Effort spearheaded by State Auditor Stacey Pickering
- Reiterate need to make Rainy Day Fund last three more years
- Governor's discretionary stimulus funds
 - Set-aside for administration, accountability, monitoring, transparency, about 2% of total
 - Must preserve the flexibility to fill budget holes
 - Corrections – will work with Corrections Department on how to avoid letting 4,000 convicts out of prison

Overview of Cuts

- General Fund Agencies (General Fund & Equivalents)
 - o Friday's Cut: \$175 M
 - o Previous Cuts: \$221.8 M
 - o Total Cut \$396.9 M
 - o Total Budget \$5.3 Billion

- General Fund Agencies ("State-Source Special Funds")
 - o Friday's Cut: \$26.4 M
 - o Previous Cut: \$0
 - o Total Budget \$323.2
 - o *Note:* Miss. Code. § 27-104-13(3) exempts many special funds from cuts, including funds derived from federal funds, agricultural commodity assessments, and special funds of several specific agencies.

- Special Fund Agencies ("State-Source Special Funds")

- o Friday's Cut: \$14 M
- o Previous Cut: \$0
- o Total Budget: \$171 M
- o *Note:* Miss. Code. § 27-104-13(3) exempts many special funds from cuts, including funds derived from federal funds, agricultural commodity assessments, and special funds of several specific agencies.

Why \$437 million, Not \$347 million

- \$347 million is consensus (i.e. compromise) position of revenue estimating committee.
- \$347 million is based on older data and does not include EEF
- \$347 million is based on actual revenue only through October
- \$437 million is based on revenue through December and includes EEF
- Through December, revenue \$183 million (8.1%) below expectations
- \$437 million assumes revenue continues at 8.1% below expectations
- If revenue for second half of FY10 is 8.1% below expectations:

- o \$397.9 M General Fund Shortfall
 - o \$39.6 M EEF Shortfall
 - o Total: \$437 M Shortfall
- \$437 million is most accurate projection of shortfall, based on annualizing most recently available revenue figures and including EEF.